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CFEP Drafting Group on  
East-West Trade

MEMORANDUM TO THE CHAIRMAN, CFEP

The Steering Group has reviewed the proposed policy revision of NSC 152/3 submitted by it to the CFEP on July 8, 1955 (CFEP 501) in order to determine what action on that paper would be appropriate at this time.

The Steering Group included in its review the Commerce proposal in a memorandum of March 30 to the CFEP to revise certain paragraphs in NSC 152/3.

The conclusions of the Steering Group are as follows:

1. Action on the specific Commerce proposals of March 30 should be set aside in the interest of a more comprehensive examination of the policy paper as a whole.

2. With respect to the latter paper, circumstances both in East-West relations and in relations between the United States and other Free World countries cooperating in the economic defense program have altered significantly during the year since the proposed policy revision was devised. This alteration is generally characterized by

(a) increasing Soviet general economic capabilities despite the present Western multilateral trade control program, especially capabilities for penetration of underdeveloped areas;

(b) increasing unwillingness by other participating countries to continue the present multilateral control program without further curtailment both of the COCOM and CHINCOM controls;

(c) increasing

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- (c) increasing recourse by other cooperating countries to the exceptions procedures as a means of circumventing the agreed embargo towards Communist China;
- (d) an increase in the volume of East-West trade and in the view by most Free World countries that such trade should be both normalized and facilitated as a matter of policy.

3. Against this background, it is clear that the proposed policy revision in CFEP 501/6 Enclosure 4 is not an adequate framework for economic defense policy under present circumstances and that it is not significantly more responsive than NSC 152/3 to merit its finalization as a substitute.

4. The points on which CFEP 501/6 are lacking in responsiveness to present conditions are illustratively as follows:

(To be added)

5. In the light of the foregoing circumstances, a basic new departure in economic defense policy is indicated. As a provisional judgment, it should be generally characterized by:

(a) A policy framework which will permit the United States to achieve a greater degree of cooperation from friendly countries in a more effective control program.

(b) A frank recognition that creating a renewed and revitalized multilateral control system requires, in the near future, acceptance by the United States of a common level of controls, for it and for other countries, towards the European Soviet bloc and China.

c. Development

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(c) Development of a formula or rationale which will adequately take account of the present status of Soviet military technology and nuclear capabilities and the threat to the Western position and objectives in the Soviet industrial capabilities;

(d) Pursuant to this formula or rationale, more effective concentration on certain key controlled categories permitting the abandonment of certain presently-controlled items and perhaps of the present concept of quantitative control;

(e) Reconstitution of the multilateral organization to relate it more directly to the mutual defense and economic program more liberally interpreted;

(f) Provision for defining economic defense policy towards Soviet economic penetration activities, taking account of other U.S. foreign economic policies and assistance programs, and provision in the multilateral organization for consultation on Soviet economic penetration problems;

(g) Recognition, as a corollary of having a U.S. control policy identical with the multilateral policy, that special U.S. "anti-frustration" controls towards friendly countries associated with the U.S. in the reconstituted control program would not be required.

6. The EDAC should be requested as an initial step to prepare an evaluation of the issues presently confronting the economic defense program to serve as a basis for a possible policy revision along the lines indicated, for transmittal to the NSC. In the meantime, NSC 152/3 should continue to

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be considered as governing policy subject to such specific interim policy directions as may be necessitated by circumstances, most notably an interim directive on the problem of China differential controls transmitted separately.

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